



Overview of Fiscal Year 2011 Recommended Budget and Future Outlook

Budget Town Halls
May/June 2010

Fiscal Year 2011 Budget Calendar

February 23	Introduction of Budget Options Balancing System BOBS)
March 9 & 23, April 6	Balancing Strategies Discussions
May 4	Submission of City Manager's Recommended Budget
May 11	Public Hearing on Recommended Budget
May 18, 25	Recommended Budget Discussions
June 8	Tentative Adoption, Truth in Taxation Public Hearing
June 15	Public Hearing on Tentative Adoption and Special Meeting to Adopt Budget
June 22	Adoption of FY 2011 Property Tax Rates

Fiscal Year 2011 Problem: Structural Deficit

Reason:

*Deep Economic Recession; Overreliance on Volatile Revenues;
Deferred Infrastructure Needs; Diminished Reserves*

Immediate Goals:

*Solvency, Protection of Bond Ratings,
and Sustained Core Services Delivery*

Potential Solution:

Short Term (FY 2011): One-Time Fixes

*Long Term (FY 2012 and Beyond):
Core Service Tax For Strategic Recovery*

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Global Recession: Local Economic Statistics

	<u>2006</u>	<u>2009</u>
• Residential Permits	2,861	656
• Foreclosures (Pima County)	3,469	18,010
	<u>FY 2007</u>	<u>Est'd. FY 2010</u>
• Unemployment	4.5%	9.1%
• Local sales tax	\$202.3M	\$159.0M
• Transient occupancy (bed) tax	\$10.9M	\$7.9M

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Unrestricted Fund Balance Estimated FYE 2010

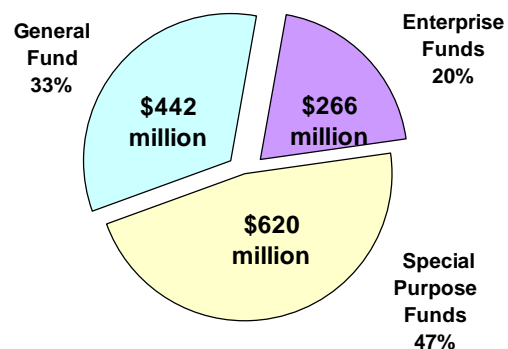
FY 2009 Ending Balance	\$17.0 million
Projected FY 2010 Use	<u>(1.3) million</u>
FY 2010 Estimated Balance	\$15.7 million

Equals 3.9% of FY 2011 recommended budget expenditures
(excluding operating transfers)

On 3/23/10, Mayor and Council directed that the \$5.3 million net proceeds from the Grace legal settlement be placed in the unrestricted fund balance upon receipt. This amount has not been included in the estimated balance

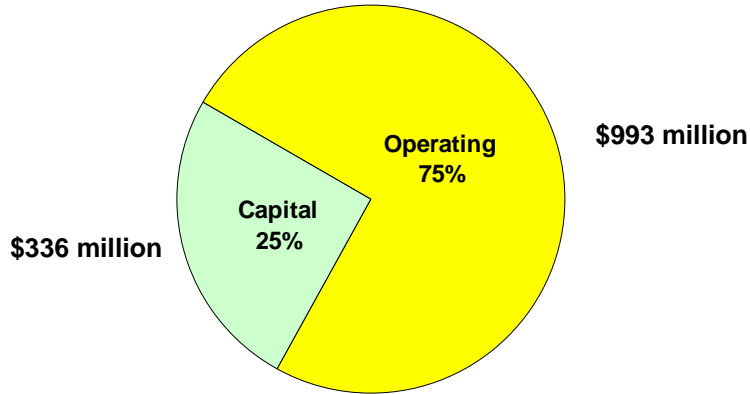
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Recommended Citywide Revenues: \$1.329 billion



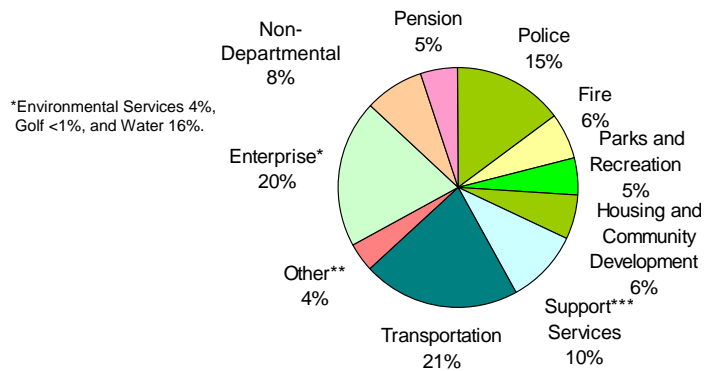
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Recommended Citywide Budget: \$1.329 billion



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Recommended Citywide Expenditures: \$1.329 billion

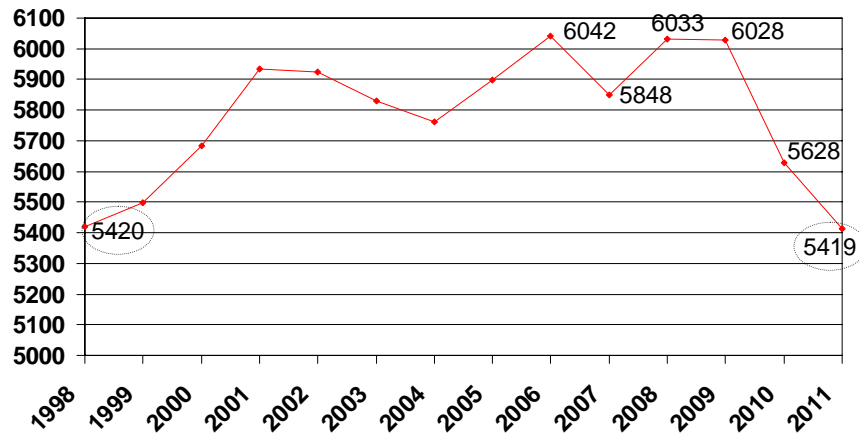


**Mayor and Council, City Clerk, City Manager's Office, City Attorney, City Court, Equal Opportunity Programs and Independent Police Review, Public Defender, ParkWise, Planning and Development Services, and Tucson Convention Center.

***Budget and Internal Audit, Finance, General Services, Human Resources, Information Technology, and Procurement.

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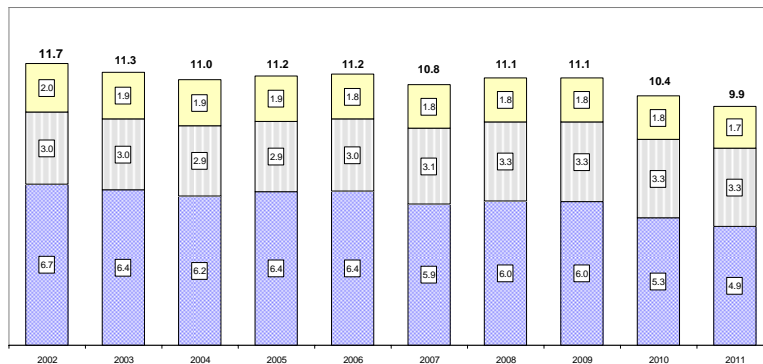
Staffing Comparison Citywide FYs 1998 - 2011



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Number of City Employees per 1,000 Population

Other* Commissioned Public Safety Personnel** Enterprise Positions***



*In Fiscal Year 2007, Library staff was transferred to Pima County.

**Fire and Police personnel.

***Includes Environmental Services, Golf, and Tucson Water. Beginning in Fiscal Year 2005, Environmental Services became an enterprise department; prior year data has been revised for consistency.

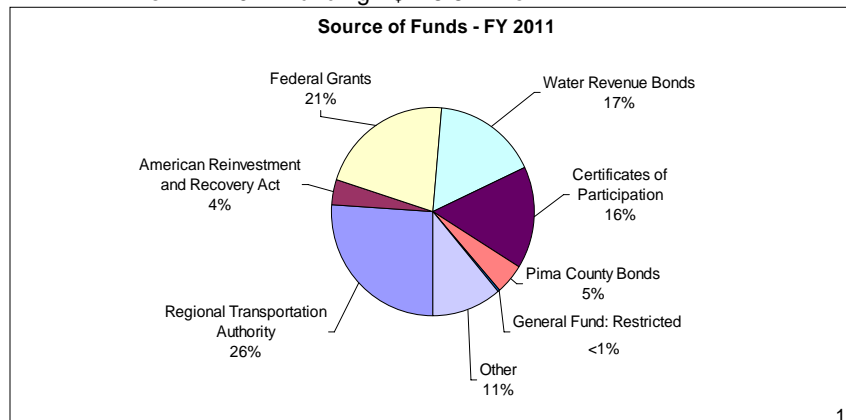
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Capital Improvement Program (CIP)

Five Year Total - \$1.1 Billion

FY 2011 Total - \$336.3 Million

- Carryforward from FY 2010 - \$87.5 Million
- New FY 2011 Funding - \$248.8 Million

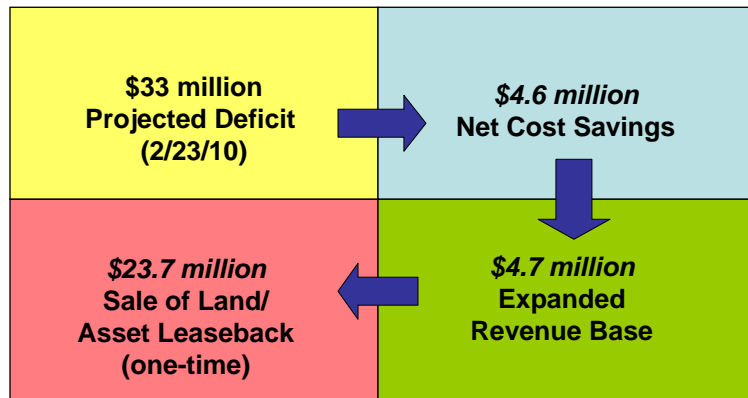


Capital Projects: Fiscal Year 2011 Highlights

- Police Crime Lab Completion - \$34.3m Certificates of Participation
- Martin Luther King Apartments Completion - \$4.2m federal funds
- Road Repavement - \$10.9m economic stimulus funds
- Plaza Centro Parking Garage – \$5.6m paid with parking revenues
- Modern Streetcar - \$31.5m federal/Regional Transportation Authority funds
- Lincoln Park Sports Fields Completion - \$3.4m Pima County bonds
- Potable Water System Infrastructure - \$68m Water revenue bonds or operations funds
- Photovoltaic solar panels on 11 City buildings - \$13.8m Clean Renewable Energy Bonds

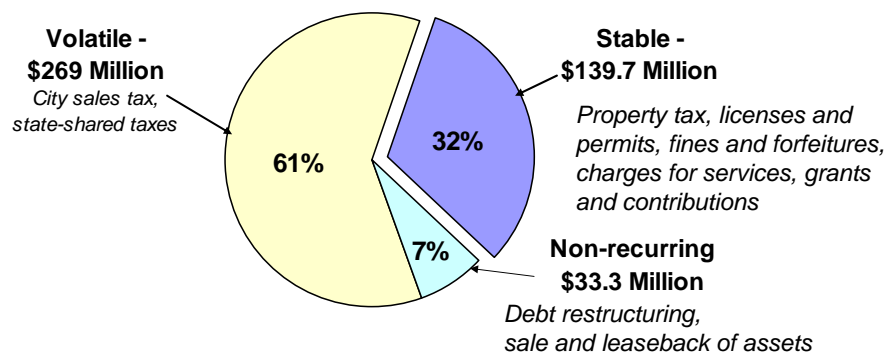
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Fiscal Year 2011 General Fund Balancing



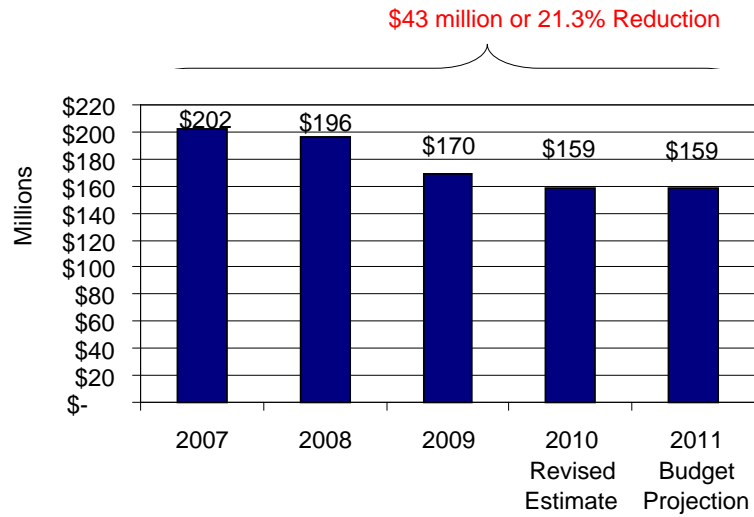
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General Fund Revenues Recommended \$442 Million



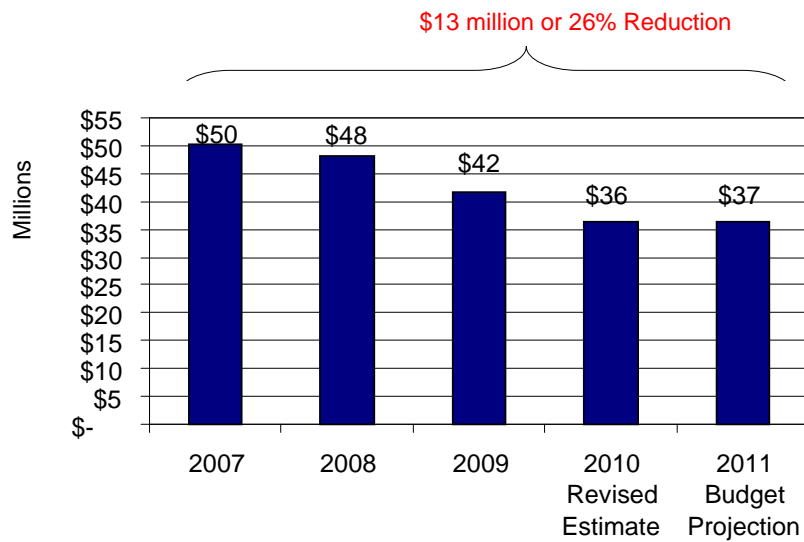
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Local Sales Tax Revenues



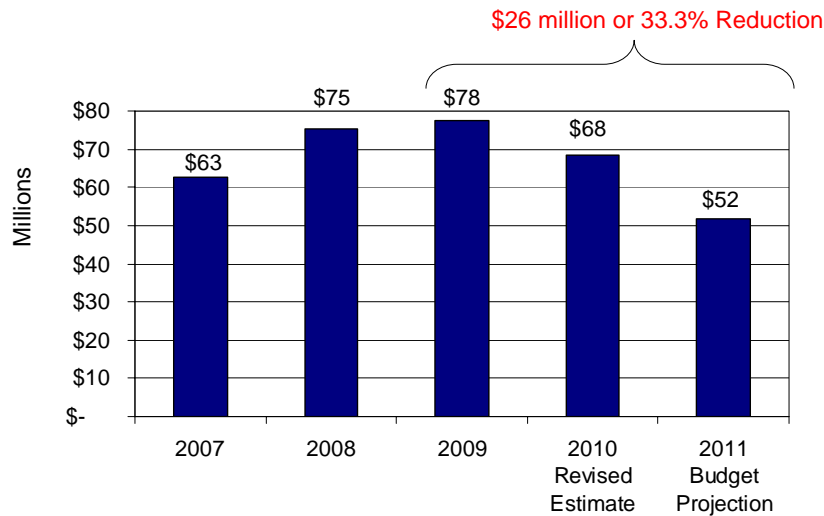
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State Shared Sales Tax Revenues



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State Shared Income Tax Revenues



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General Fund Recommended Revenue Highlights

- Revenue or fee increases - \$3.2 million
 - In-lieu of Property Tax on Tucson Water- \$1.6 million
 - Malicious Criminal Offense Cost Recovery - \$300,000
 - Towed and Impounded Vehicle Fees - \$300,000
 - Photo Enforcement Program Expansion (covers operational costs) - \$1 million
- Local Sales (Business Privilege) Tax - \$159 million
 - In alignment with FY 2010 Adopted
- State Shared Taxes - \$110 million
 - sales, income, and auto lieu
 - 16% reduction from Adopted FY 2010 primarily due to income taxes

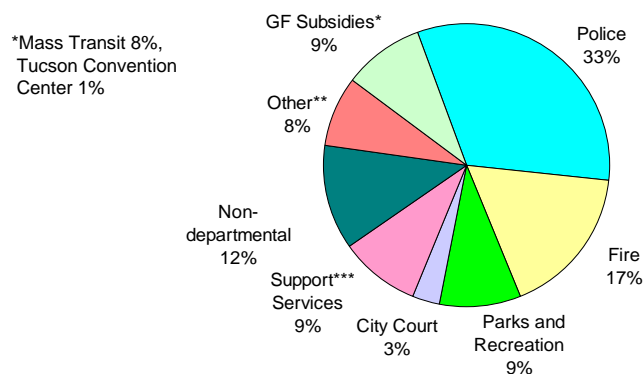
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General Fund Recommended Revenue Highlights (continued)

- Charges for Services - \$46.6 million
 - \$9.1 million increase from FY 2010 Adopted;
primarily Parks fees and Fire medical charges
- Other One-Time Funding Sources - \$33.3 million
 - \$9.5 million: debt restructuring (FYs 2009-2011)
 - \$23.8 million: sale and asset leaseback financing

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General Fund Expenditures \$442 Million



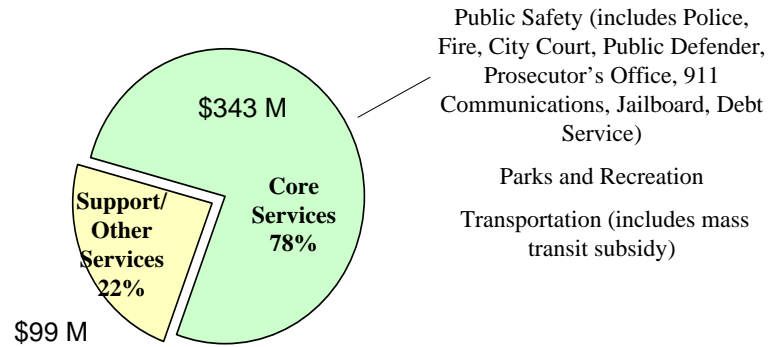
*Mass Transit 8%, Tucson Convention Center 1%

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***Budget and Internal Audit, Finance, General Services, Human Resources, Information Technology, and Procurement

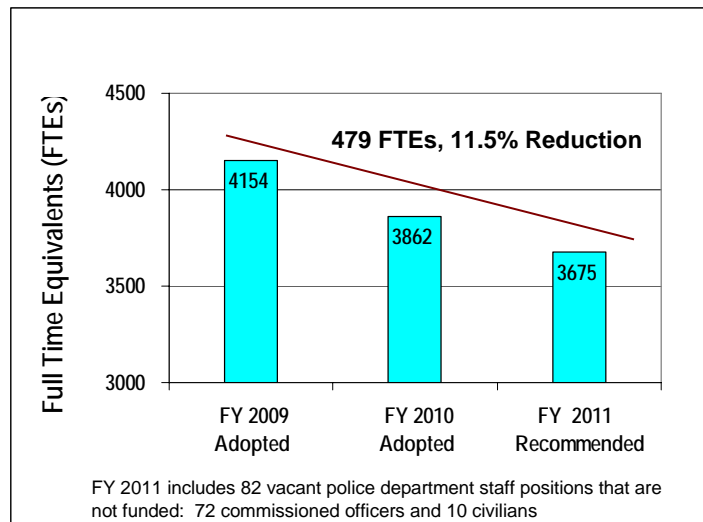
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Core and Support Services Fiscal Year 2011 General Fund \$442 Million



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GENERAL FUND STAFFING



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Expenditure Reductions FYs 2009 through 2011

- Elimination of 479 General Fund Positions (187 between FYs 10 and 11)
- Employee Layoffs and Reduced Compensation (furlough days; increased public safety pension contribution; increased medical premium costs)
- Suspension of Residential Street Paving; Reduced Roadway Maintenance (i.e. potholes)
- Debt restructuring
- Suspension of Back to Basics and Youth funding
- Closure of 17 summer-session Swimming Pools and 4 pools in Winter; Decrease in Leisure Classes and Elimination of Teens Program and Most Adult Sports Programs
- Reduction in Neighborhood Center Hours; Closure of Ormsby Neighborhood Center
- Reduced Prosecution of Graffiti, Prostitution, Criminal Nuisance
- Deferred Infrastructure Replacement and Maintenance Streets, Facilities, Vehicles, Equipment, and Technology
- Reduction in Outside Agencies Funding (20-60% in FY 2010)
- Reduced Neighborhood Mailings and Support

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General Fund Recommended Expenditures Highlights

- Cost Savings: \$8.5 million
 - Graffiti abatement - \$600,000
 - Reduction of community event support - \$178,160
 - Transfer low income program to utilities - \$1 million
 - Travel, training, consultants, professional services - \$6.7 million
- Employee salary/benefits adjustments
 - Cost Savings
 - Furloughs (3.5% base salary reduction); continued from FY 2010
 - Reduction of vacant positions and layoffs
 - Cost and Contribution Rate Increases
 - Medical insurance premiums (employer and employee)
 - Civilian and public safety pension contributions, public liability, workers' compensation, unemployment insurance

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General Fund Recommended Expenditures Highlights (continued)

- Mass Transit Subsidy - \$35.25 million
 - Increased by \$3.25 million to cover loss of Local Transportation Assistance Funding (LTAF) from state
- Outside Agencies - \$9 million (same as FY 10 revised)
 - Arts and Cultural Enrichment - \$442,350
 - Civic/Special Community Events - \$84,210
 - Economic and Workforce Development - \$4,331,160
 - Human Services - \$1,613,340
 - Payments to Other Governments - \$2,225,420
 - Other - \$391,910
- Debt Service
 - Increased by \$1.1 million (COPS increase offset by leases decrease)

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Employee Furloughs or Salary Reductions: Survey of Local Jurisdictions

	<u>FY 2010</u>	<u>FY 2011</u>
Marana	voluntary furloughs	NO
Oro Valley	NO	NO
Sahuarita	NO	NO
Pima County	NO	NO
<i>Tucson</i>	<i>YES</i>	<i>YES</i>

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Projected Fiscal Year 2012 Structural Deficit

One-time funding sources used to balance
FY 2011 budget:

\$ 9.4 million - debt restructuring

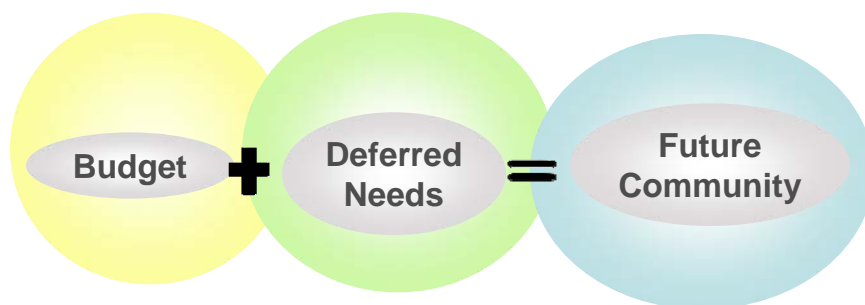
23.7 million - sale and asset leaseback

\$33.1 million

Does not include deferred replacement and maintenance needs.

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Stabilizing Our Community



Continuing to address the structural deficit by putting off investment in and maintenance of our infrastructure imposes this burden on future generations and threatens our community's quality of life.

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How Do We Address the Structural Deficit?

- Permanent Cuts to Core Services
OR
- New Recurring Revenues
OR
- A Combination of Both

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Consideration of a Core Tax

- Local sales tax is the City's only available broad-based taxing mechanism that could generate enough revenue to address the structural deficit
- Without an increase in sales tax, permanent cuts to Core Services are needed in order to "right-size" the organization to match current revenues

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What do Tucson Residents Want?

- Community Dialogues held last fall: preserve Core Services; participants would consider paying more for these services but would prefer efficiency improvements first
- November sales tax ballot measure would allow voters to decide
- Citizen Advisory Task Force could advise on how to structure ballot measure

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Citizen Advisory Task Force appointed by Mayor and Council

- Consideration of placing a sales tax increase for core services on the November ballot
- Identifying the amount of sales tax increase and how it would be programmed
- Consideration of placing a permanent expenditure base adjustment on the ballot
- Drafting ballot language
- “Plan B” options including cuts and/or alternative revenues in the event that a ballot measure is not successful

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Budget Information

<http://www.tucsonaz.gov/budget/>

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